

PUBLIC DISCLOSURE

January 12, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LEGACY BANKS

**99 NORTH STREET
PITTSFIELD, MA 01201**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **LEGACY BANKS** (or the Bank) prepared by the Division, the institution's supervisory agency, as of **January 12, 2004**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

Under the Lending Test, the Bank is assigned an overall rating of Outstanding. Approximately 98.4 percent of the Bank's mortgage loans, and 94.7 percent of the Bank's small business loans were made in the assessment area. Lending was well-distributed throughout the assessment area. The Bank's distribution of home mortgage and small business loans among the various census tracts was good. The Bank's distribution of its home mortgage loans among borrowers of different income levels was very good given the assessment area's demographics and the comparison of all other Home Mortgage Disclosure Act (HMDA) reporting lenders within the assessment area. A majority of the Bank's small business lending were granted to businesses with revenues of less than one million dollars and were for loan amounts were under \$100,000. The Bank's community development lending was excellent, especially considering the strong level of competition within the assessment area. The Bank's use of innovative and flexible lending products is considered excellent. In addition, the Bank's fair lending performance was found to be excellent at this time.

Based on the review conducted under the Investment Test, the Bank's investment performance is rated High Satisfactory. The Bank has provided a good level of qualified investments in the form of charitable contributions to community organizations and CRA targeted mortgage-backed securities. These qualified investments demonstrate the Bank's responsiveness to its assessment area's credit and community development needs.

GENERAL INFORMATION (CONTINUED)

Under the Service Test, the Bank is assigned an overall rating of Outstanding. Legacy Banks has demonstrated an excellent level of service to its assessment area. The Bank's delivery systems are readily accessible to all portions of the assessment area. The Bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel routinely meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Legacy Banks			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Legacy Banks is the successor institution of the merger of City Savings Bank (of Pittsfield) and Lenox Savings Bank. The merger of the two banks took place as of January 1, 2002. Legacy Banks, a stock savings bank, assumed the charter of the former City Savings Bank. Legacy Banks' parent company is comprised of Mutual Bancorp of the Berkshires, Inc, and its second tier affiliate, Legacy Group, Inc. (Legacy Group holds the stock issued on behalf of Legacy Banks and Mutual Bancorp of the Berkshires holds 100% of Legacy Group stock.) Legacy Banks has three wholly-owned subsidiaries: Legacy Insurance Services of the Berkshires, Legacy Securities Corporation, and CSB Services Corporation.

The Bank's headquarters and main office are located in Downtown Pittsfield, a low-income census tract. Additionally, the Bank operates nine (9) full-service branch offices. These offices are located in Pittsfield (3), Lenox (2), Great Barrington (1), Lee (1), Otis (1) and North Adams (1). The North Adams office, situated in the city's downtown, is in a moderate-income tract.

As of September 30, 2003, Legacy Banks had total assets of \$632.4 million with total loans representing \$460.4 million or 72.8 percent of total assets. The ratio of net loans of \$456.9 million to total deposits of \$422.3 million was 108.2 percent. The excess of loans to deposits is explained by the institution's support of community credit needs through the use of Federal Home Loan Bank (FHLB) borrowings. Loan growth for the 12 months ending September 30, 2003 was 20.8 percent, while deposit growth was a negative 2.7 percent.

The following table depicts the composition of the Bank's loan portfolio:

Loan Portfolio as of September 30, 2003		
Type of Loans	\$'s (000's)	% of Total Loans
Construction & Land Development	11,017	2.4%
Residential Real Estate		
a. 1-4 Family Mortgages	256,980	55.8%
b. Home Equity Lines/Loans	41,387	9.0%
Multifamily	3,427	0.7%
Commercial Loans		
a. Commercial Real Estate.	118,568	25.8%
b. Commercial Loans	23,268	5.0%
Consumer Loans		
a. Credit Cards	0	0.0%
b. Loans to Individuals	5,767	1.3%
Other Loans	39	0.0%

Total	460,453	100.0%
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Table 1 Source: FDIC Call Report of Condition.

Description of Institution (continued)

First mortgage loans secured by 1-4 family dwellings represented the majority (55.8%) of the Bank's loan portfolio. Commercial real estate and commercial loans combined represented the second largest segment (30.8%) of the Bank's total loans. Home equity lines/loans, comprised the next largest portion (9.7%) of the portfolio. Lastly, construction and land loans, multifamily loans (5 units or more), consumer loans and other loans, collectively formed the remaining portion (4.4%) of total loans.

Legacy Banks remains a mortgage lender primarily, with considerable diversification in the commercial lending area. The Bank is a member of the FHLB and is an active lender for the Massachusetts Housing Finance Agency (MHFA)/MassHousing affordable loan programs. Additionally, the institution is a certified Small Business Administration (SBA) lender. There are no known legal or financial impediments to the Bank's ability to meet the assessment area's credit needs.

Competition for mortgage lending within the Bank's assessment area is strong and includes several locally-based financial institutions. HMDA requires lenders to report all purchase mortgages, refinances and home improvement loans to their respective regulators. Based on 2002 HMDA aggregate data, there were 247 HMDA reporting lenders within the assessment area. These lenders originated or purchased 5,884 HMDA reportable loans, totaling \$792 million.

Based on HMDA aggregate data, Legacy Banks held the third largest market share for mortgage lending in 2002. In 2002, the top five competitors for mortgage lending within the assessment area were: (1) Lee Bank (11.2% market share); (2) Berkshire Bank (10.4% market share); (3) Legacy Banks (8.8% market share); (4) Greylock Federal Credit Union (6.5% market share); and (5) Adams Co-operative Bank (5.0% market share). These lenders, combined, held a 41.9 percent market share of all mortgage loans reported under the HMDA. Other locally-based financial institutions in the top 10 rankings were South Adams Savings Bank (ranked 6th with 4.9% market share) and Pittsfield Co-operative Bank (ranked 8th with 4.0% market share). Notably, Plymouth Savings Bank, as a non-local, secondary market conduit, ranked 7th with a 4.6 percent market share. In 2002, Legacy Banks brokered all its fixed rate mortgage loans to Plymouth Savings Bank. These mortgage loans were then reported by Plymouth Savings Bank, as the lending institution.

The Division last conducted a CRA evaluation of City Savings Bank as of September 23, 1999, which resulted in the Bank receiving an "Outstanding" rating. This is the first CRA examination conducted by the Division since Lenox Savings Bank and City Savings Bank merged. The Federal Deposit Insurance Corporation (FDIC) last conducted a CRA evaluation as of October 28, 2002, resulting in an overall "Satisfactory" CRA rating.

Description of Assessment Area

CRA requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns. The Bank's delineated assessment area is in conformance with the CRA regulation, containing only whole geographies/census tracts and not arbitrarily excluding any low or moderate-income geographies.

Legacy Banks defines Berkshire County, Massachusetts, as its assessment area. Berkshire County is situated on Massachusetts' western border, abutting the New York State border spanning from Vermont on the north to the Connecticut border on the south. Given its large geographic area, the county is divided into three regions; "the Central Berkshires," made up of the City of Pittsfield and surrounding towns (Dalton, Richmond, Lanesborough, Lenox and Lee) and the Northern and Southern Berkshires or "North County" and "South County." As Pittsfield serves as the commercial hub for the Central Berkshires, the City of North Adams is the commercial center for Northern Berkshire. Similarly, Great Barrington serves as the Southern Berkshire's commercial hub. Berkshire County has a total of 32 municipalities.

Based on the 1990 U.S. Census data, the assessment area comprised 34 census tracts. The Pittsfield MSA comprised 23 tracts, while the non-MSA municipalities comprised the remaining 11 census tracts. The MSA includes Pittsfield (12 tracts), Dalton, Cheshire, Lanesborough, Lenox, Lee and Stockbridge (each 1 census tract), Richmond including Hancock and New Ashford (1 tract), Hinsdale including Becket, Otis, Washington (1) and Adams (3 tracts). Based on the 2000 U.S. Census data, the assessment area contains 41 census tracts; the Pittsfield MSA still contains 23 tracts, while non-MSA municipalities now comprise 18 census tracts.

The assessment area discussion incorporates both the 1990 and 2000 U.S. Census data, since CRA evaluations utilize the new 2000 U.S. Census data when analyzing loan activity in 2003. Although not used in this public evaluation, the Office of Management and Budget (OMB) revised MSA designations effective January 1, 2004. Under these revised MSA designations, the Pittsfield MSA now includes all of Berkshire County.

Based on 1990 data, the assessment area's census tract composition (by income levels) was as follows; low-income (3 tracts or 8.8%), moderate income (5 tracts or 14.7%), middle income geographies (23 or 67.7%) and upper income tracts (3 or 8.8%). Based on the 2000 U.S. Census data, the assessment area tract composition is as follows; low-income tract (1 or 2.4%), moderate-income tracts (9 or 21.9%), middle income (25 tracts or 60.9 % of all tracts) and upper income geographies (6 or 14.6% of all tracts).

The census tract income levels are based on the median family income within the given tract. The CRA regulation defines income levels as; low-income (less than 50 percent of the area median income), moderate-income (50 to 79 percent of median family

Description of Assessment Area (continued)

income), middle-income (80 to 119 percent of area median income), and upper-income (120 percent and greater of the area median income).

In total, the assessment area's moderate-income geographies increased from 5 (1990 Census) to 9 tracts in the 2000 Census. In 1990, Pittsfield had 2 low and 2 moderate-income tracts. Based on 2000 data, the city now holds 1 low and 3 moderate-income tracts, a former low-income tract is now designated as a moderate-income geography. Adams had 2 moderate-income geographies in 1990; these 2 tracts remained unchanged in the 2000 Census.

The City of North Adams experienced the greatest realignment of census tract income designation in the 2000 Census. Formerly, North Adams included 1 low-income tract (downtown North Adams), 1 moderate-income geography (abutting Adams) and 3 middle-income tracts. Based on the 2000 Census data, the city's downtown is now designated a moderate-income geography while the one moderate-income tract remained unchanged. Two of the city's middle-income tracts are now designated as moderate-income geographies.

In the 2000 Census, the assessment area's middle income geographies/tracts netted an increase of 2 tracts. Primarily, this increase occurred due to population growth and the subsequent dividing of census tracts in the rural (non-MSA) towns. In North County, Clarksburg, Florida, Savoy, Peru, and Windsor, formerly one middle income tract split into 3 middle-income tracts in the 2000 Census. They are as follows; Clarksburg (1 tract), Florida and Savoy (1 tract), and Peru and Windsor (1 tract). In South County, the towns of New Marlborough, Monterey, Sandisfield and Tyringham, formerly shared 1 tract and now comprise 3 separate middle income tracts; New Marlborough (1 tract), Monterey and Tyringham (1) and Sandisfield and Otis (1 geography). One of Pittsfield's upper income tracts became a middle-income geography. (As mentioned above, North Adams lost two middle-income tracts in the 2000 Census.)

The assessment area's upper income tracts increased significantly from 3 tracts (in 1990) to 6 tracts in the 2000 Census. Within the Pittsfield MSA, both Dalton and Lenox, formerly middle income geographies, are now upper income tracts. Within the non-MSA communities in the Northern Berkshires, Williamstown, (formerly one middle income geography) split into 1 middle and 1 upper-income tract. In South County, West Stockbridge, which formerly shared a middle income tract with Egremont, Alford and Mt. Washington, is now designated an upper income geography. (Egremont, Alford and Mt. Washington continue as a middle income tract.)

Description of Assessment Area (continued)

The following tables compare census tract composition (by income category) and the distribution of certain demographic and housing characteristics for 1990 and 2000 Census.

Demographic Characteristics by Census Tract Category (Distribution by Percentage)								
Income Category	1990 Census				2000 Census			
	Census Tracts	House-holds	Family House-holds	Housing Units	Census Tracts	House-holds	Family House-holds	Housing Units
Low	8.8	4.7	2.4	4.3	2.4	3.6	1.8	3.5
Moderate	14.7	15.1	13.8	13.7	22.0	20.9	18.3	19.8
Middle	67.7	72.8	75.2	75.0	61.0	58.3	61.2	60.0
Upper	8.8	7.4	8.6	7.0	14.6	17.2	18.7	16.7
Total/All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The above table demonstrates the realignment of population and housing units among the income levels of census tracts within the assessment area. The percentage/distribution of households and housing units increased within the moderate-income geographies in the 2000 Census; while the households and housing units residing within the low-income tracts decreased slightly. Notably, the percentage of households/housing units within the middle income geographies declined significantly in the 2000 Census; while households and housing units within upper income geographies increased.

Housing Characteristics by Census Tracts (Distribution by Percentage)								
Income Category	1990 Census				2000 Census			
	Owner-Occupied	Renter-Occupied Units	Vacant Units	Median Home Value	Owner-Occupied	Renter-Occupied Units	Vacant Units	Median Home Value
Low	0.7	11.8	2.7	\$91,677	0.6	9.8	2.9	\$80,000
Moderate	10.4	23.5	6.7	\$84,467	14.5	33.5	14.5	\$84,554
Middle	78.8	62.3	85.7	\$120,635	64.7	45.3	69.1	\$130,854
Upper	10.1	2.4	4.9	\$142,309	20.2	11.4	13.5	\$156,415
Total/All	55.1	29.4	15.5	\$115,953	56.6	27.9	15.5	\$124,145

Likewise, the above table demonstrates the realignment of owner-occupied, renter-occupied and vacant housing units among census tracts comprising the Bank's assessment area. (The table also compares median home values.) The distribution of owner-occupied and vacant units within the moderate-income tracts increased to 14.5 percent in the 2000 Census, while renter-occupied units (within these tracts) increased to 33.5 percent of all (renter-occupied) units. Notably, the distribution of owner-occupied, renter-occupied and vacant units decreased significantly within the middle income tracts (in the 2000 Census); while within the upper income geographies the levels of all units (owner-occupied, renter-occupied and vacant units) increased.

Description of Assessment Area (continued)

The assessment area's population declined from 139,352 (in 1990) to 134,953 residents in the 2000 Census, representing an overall population decrease of 3.2 percent. In 2000, the assessment area's residents comprised 54,531 households, of which 63.0 percent were family households. The family households' income levels changed slightly in the 2000 U.S. Census. Low-income families declined slightly (from 19.7% in 1990) to 18.7 percent of all families in the 2000 Census. Moderate-income families rose slightly from 19.2% to 20.0 percent. Middle income families declined (from 24.6% in 1990) to 23.5 percent of all families. Lastly, upper income family households increased slightly (from 36.5% of all families) to 37.7 percent in 2000.

Based on 2000 Census data, the assessment area's home affordability ratio increased from 26.1 percent (in 1990) to 32.2 percent. The "home affordability ratio" is defined as Median Household Income divided by Median Housing Value. Comparably, the statewide home affordability ratio of 27.6 percent (based on the 2000 Census) is below Berkshire County's affordability ratio of 32.2 percent. Lastly and notably, the Pittsfield MSA's affordability ratio is slightly higher than the county's (as a whole); the MSA ratio increased from 27.2 percent (in 1990) to 35.2 percent in the 2000 Census.

The table below provides single family median home prices for based on Berkshire Registry of Deeds transactions. The communities are selected to represent the three regions of Berkshire County, central, southern and northern.

City/Town	October 2002*	October 2003*
Pittsfield	\$110,000	\$123,000
Dalton	\$155,500	\$139,000
Lenox	\$251,250	\$310,000
Lee	\$142,100	\$160,000
Stockbridge	\$347,500	\$475,000
North Adams	\$77,750	\$90,000
Adams	\$89,900	\$116,250

* Prices are year to date through October 2003.

Home prices are rising county-wide due in part to an active second homebuyers market exerting pressure on home cost for the year round resident/homebuyer. Home prices in Lenox and Stockbridge are higher, due to the level of second home ownership within these towns. In communities where home prices are more affordable, such as Pittsfield, Dalton, North Adams and Adams, second home ownership is at a minimal level. The table shows that all the communities (except Dalton) experienced home price increases in 2003; the increases are as follows: Pittsfield (\$13,000 or 11.8%); Lenox (\$58,750 or 23.4%); Lee (\$17,900 or 12.6%); Stockbridge (\$127,500 or 36.7%); North Adams (\$12,250 or 15.8%) and Adams (\$26,350 or 29.3%). With the decline of the Berkshire County's manufacturing sector, tourism and second home ownership will continue to be a significant and growing segment of the local economy.

Description of Assessment Area (continued)

Historically, Pittsfield's economic base has been its manufacturing sector. In the late 1980's, General Electric closed its manufacturing plant, which at the time was Berkshire County's largest employer. The city's community and economic development efforts continue to focus on overcoming this substantial loss of jobs and tax revenues. Surprisingly, Pittsfield and its environs remain the Berkshire's manufacturing center, due to an active plastics (mold making) and paper making industry. The city's major employers include GE Plastics (World Headquarters) and General Dynamics, the Berkshire Medical Center, Kay Bee Toys (World Headquarters), Berkshire Life Insurance Company and J & J. Fiber. The Crane and Mead Companies operate plants in Dalton (adjacent to Pittsfield) and in Lee, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Outstanding." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgage, small business, and community development loans. Residential mortgage and small business loans originated during 2002 and 2003 were included in the Bank's performance.

The data used to evaluate the Bank's lending was derived from the Home Mortgage Disclosure Act/Loan Application Register (HMDA/LAR), small business loan register, and the bank's community development loan register.

I. LENDING ACTIVITY

The Bank's lending activity and record of extending credit were reviewed during the course of the examination.

As of September 30, 2003, the net loan to deposit ratio was 108.2 percent. This ratio has increased significantly from 87.0 percent on September 30, 2002. The increase in this ratio is a result of deposits increasing by only 2.7% while net loans increased by more than 21.0%.

The Bank's net loans and leases as a percent of assets, as reported in the September 30, 2003, Uniform Bank Performance Report (UBPR), was 72.25 percent. The peer group's net loan to asset ratio was 59.74 percent, placing the Bank in the 79th percentile. The Bank's ratio is higher than the peer ratio, however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

The Bank's LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 1,453 HMDA-reportable loans, totaling \$214 million. Of this amount, 1,429 loans, or 98.4 percent of the number, and \$204.9 million or 95.7 percent of the dollar volume was originated in the Bank's assessment area.

LENDING ACTIVITY (continued)

Pittsfield accounted for the largest number of originations with 39.8 percent, followed by Lenox with 12.0 percent. Pittsfield also accounted for the largest dollar volume of originations with 29.3 percent, followed by Lenox with 16.5 percent. Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	520	98.5%	72,066	95.9%	8	1.5%	3,088	4.1%
2003	909	98.3%	132,897	95.7%	16	1.7%	6,021	4.3%
Total	1,429	98.4%	204,963	95.7%	24	1.6%	9,109	4.3%

Source: HMDA/LAR, CRA Wiz

As shown in the tables above, there has been a large increase in the volume of loans from 2002 to 2003. This was due to the low interest-rate environment that continued in 2003. The Bank also changed an agreement it had with another lender, whereby the Bank is now responsible for reporting originated loans on its HMDA/LAR. In 2002, the Bank ranked 3rd out of 247 HMDA-reportable lenders in the assessment area. The Bank originated 520 loans in the assessment area, giving the Bank an 8.8 percent market share. The top two lenders in the assessment area were Lee Bank, with an 11.2 percent market share, and Berkshire Bank, with a 10.4 percent market share. The competition and market environment further supports that the Bank's lending activity is at a strong level.

Small Business Lending

The Bank's Small Business Loans Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The Bank originated 660 small business loans totaling \$53.5 million during this period. A total of 625 loans totaling \$46.2 million were originated to businesses within the Bank's assessment area, representing 94.7 percent by number and 86.3 percent by dollar volume.

LENDING ACTIVITY (continued)

Please refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	391	95.4%	31,114	91.5%	19	4.6%	2,877	8.5%
2003	234	93.6%	15,086	77.2%	16	6.4%	4,462	22.8%
Total	625	94.7%	46,200	86.3%	35	5.3%	7,339	13.7%

Source: CRA Data Collection

As shown in the above tables, the small business loan distribution reflects an excellent responsiveness to the assessment area's credit needs. In 2002, the Bank ranked fourth in all of Berkshire County for small business lending, with 391 loans for an 8.82 percent market share. The top three small business lenders in Berkshire County in 2002 were Capital One, F.S.B., Citibank USA, NA, and GE Capital Financial, Inc.

Given the Bank's strong penetration of loans inside its assessment area for both residential and small business lending, the Bank's lending activity is considered Outstanding.

II. GEOGRAPHIC DISTRIBUTION OF LOANS

Residential Mortgage Lending

FFIEC Table 2a shows the geographic distribution of home purchase loans. This table reflects a penetration throughout the assessment area's census tracts. The Bank originated 524 home purchase loans in 2002 and 2003. The highest percentage of loans was originated within the area's middle-income census tracts, with 77.96 percent in 2002, and 69.18 percent in 2003. This loan volume is appropriate considering the high number of middle-income census tracts in the assessment area and the high percentage of owner-occupied housing units in those tracts. Upper-income census tracts accounted for 11.02 percent in 2002, and 26.16 percent in 2003. These percentages are also reflective to the proportion of owner-occupied housing located in those census tracts. The moderate-income census tracts accounted for 8.98 percent of home purchase loans in 2002, and 3.94 percent in 2003. These percentages are also below the percentages of owner-occupied housing units located in moderate-income tracts and are below the aggregates' percentage of 9.75 in 2002. The low-income census tracts accounted for 2.04 percent of home purchase loans in 2002, and 0.72 loans in 2003. These percentages are slightly above the percentages of owner-occupied housing units as well as the aggregate percentage of 1.07 in 2002.

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

FFIEC Table 3a shows the geographic distribution of home improvement loans. The Bank originated 2 home improvement loans for 2002 and 2003. All of these loans were in middle-income census tracts. Many borrowers use home equity loans to finance their home improvement needs. Therefore, analysis of this category for the Bank is limited.

FFIEC Table 4a shows the geographic distribution of home mortgage refinance loans. The Bank originated 263 loans in 2002 and 624 loans in 2003. The Bank originated the highest percent of loans in the middle-income census tracts with 80.6 percent in 2002, and 62.7 percent in 2003. This loan volume is appropriate considering the high number of middle-income census tracts in the assessment area and the high percentage of owner-occupied housing units in those tracts. The Bank also originated 15.6 percent of its home mortgage refinance loans in upper-income tracts in 2002, and 34.8 percent in 2003. The Bank originated 3.4 percent of its loans in the moderate-income census tracts in 2002, and 2.4 percent in 2003, which is well below the 10.4 percent (1990) and 14.5 percent (2000) of owner-occupied properties located there. In 2002, 0.38 percent of the loans were originated in low-income census tracts, and 0.16 percent in 2003, which is consistent with the low percentage of owner-occupied properties, and also given the fact the aggregate origination activity was minimal. When compared to the aggregate information for 2002, the Bank originated a smaller percentage of loans than the aggregate in low and moderate-income census tracts.

FFIEC Table 5a shows the geographic distribution of multifamily loans. The Bank originated 16 loans for the period under review. Five loans were originated in low-income census tracts and three loans were originated in moderate-income census tracts. The remaining loans were made in moderate-income census tracts.

Small Business Lending

FFIEC Table 6a shows the geographic distribution of small loans to businesses. The Bank originated 10.74 percent in 2002 and 5.13 percent in 2003 of its small business loans in low-income census tracts for the period under review. These percentages are below the demographics of the assessment area according to both 1990 and 2000 census information. The Bank originated 13.04 percent of its small business loans in moderate-income census tracts in 2002 and 26.50 percent in 2003. Both of those percentages are significantly above the percent of businesses located there. The Bank originated the majority of its small business loans in middle-income tracts for the period under review and is in line with the percentage of businesses located in middle-income census tracts. The geographic distribution of small business loans was also compared to all other small business lenders in Berkshire County. Other small business reporters include bank and non-bank entities such as large national banking companies, other local banks, and finance companies. The most recent data available for this analysis relates to calendar year 2002. The Bank's small business lending in low-income census tracts was favorable. The Bank originated 10.74 percent of its small business loans in low-income census tract versus the aggregate, which originated 9.64 percent. The Bank's small business lending in moderate-income census tracts was also good.

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

The Bank originated 13.04 percent of its small business loans in moderate-income census tracts versus the aggregate, which originated 9.84 percent

FFIEC Table 7a geographic distribution of small loans to farms was excluded from the analysis because the Bank did not originate any small farm loans.

To summarize, the geographic distribution of the Bank's lending is strongest in the middle- and upper-income census tracts where the majority of census tracts, housing units, and businesses are located, as well as the highest levels of aggregate lending. However, during 2002, the Bank originated 8 or 1.5 percent of its loans to low-income areas. This percentage is higher than the 1.1 percent the aggregate originated. In addition, the Bank ranked second among all HMDA reporters in 2002 for lending to low-income areas. The Bank's lending to moderate-income areas was good. The Bank originated 60 or 4.2 percent of all its loans in moderate-income areas and was ranked 4th among all HMDA reporters in 2002.

III. DISTRIBUTION OF LOANS BY BORROWER INCOME

Residential Mortgage Lending

This factor assesses how well the Bank is addressing the credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is placed on the Bank's record of lending to low- and moderate-income borrowers residing in the assessment area. Information on the HMDA/LARs concerning residential mortgage lending shows an adequate distribution of loans among all income levels, including both low and moderate-income categories.

FFIEC Table 8a shows borrower distribution of home purchase loans. The Bank originated 524 loans in 2002 and 2003. The upper-income borrowers accounted for the single greatest share of home purchase loans originated at 47.28 percent in 2002, and 47.76 percent for 2003. The high percentage of loans to upper-income borrowers is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was much less with 25.52 percent in 2002 and 22.76 percent for 2003. Loans originated to moderate-income borrowers were slightly above the number of family households and slightly greater than 2002 aggregate lending. The Bank originated 20.50 percent in 2002 and 21.64 percent in 2003. Lending to low-income borrowers was satisfactory with 6.69 percent of the total of home purchase loans in 2002 and 7.84 percent for 2003. Although, the percentage of loans to low-income borrowers is less than the percentage of low-income family households in the area, the number of loans is satisfactory considering that mortgage loan demand from borrowers in this income category is typically lower than that of the other income groups.

FFIEC Table 9a shows the borrower distribution of home improvement loans. The Bank originated four home improvement loans for 2002 and 0 in 2003. All the loans

DISTRIBUTION OF LOANS BY BORROWER INCOME (continued)

were originated to upper-income borrowers. The largest portion of households and aggregate lending was to upper-income borrowers. Many borrowers use home equity loans to finance their home improvement needs. Therefore, the analysis of this category is limited.

FFIEC Table 10a shows the borrower distribution of home mortgage refinance loans. The Bank originated 887 loans in 2002 and 2003. Upper-income borrowers accounted for the single greatest share of home mortgage refinance loans originated at 56.52 percent of total volume in 2002 and 48.69 for 2003. The high percentage of loans to upper-income family households is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was similar to the percentage of middle-income family households in the assessment area and slightly higher than the aggregate lending to this income group in 2002. Loans originated to moderate-income borrowers were significantly lower than the percentage of moderate-income family households and lower than the aggregate in 2002. The Bank originated 12.65 percent of its loans to moderate-income borrowers in 2002 and 15.74 percent in 2003. In contrast, the percentage of moderate-income families was 19.16 percent in 2002 and 20.03 percent in 2003. Lending to low-income borrowers was minimal with refinance lending activity at 4.35 percent in 2002 and 5.57 percent for 2003. Loans originated to low-income borrowers were significantly lower than the percentage of low-income families and comparable to the 2002 aggregate data.

Small Business Lending

FFIEC Table 11a shows the borrower distribution of small loans. The Bank has a good record of originating small business loans to business with gross annual revenues under \$1 million. During the review period, the Bank originated 625 small business loans in its assessment area. In 2002, 69.82 percent were originated and 62.82 percent in 2003. Loan size is another consideration for analyzing lending performance to small businesses. The Bank had an excellent record of lending to small businesses with loan amounts less than \$100,000. Loans less than \$100,000 accounted for 81.07 percent in 2002 and 84.62 percent in 2003.

To summarize, the borrower distribution of the Bank's lending shows that a small portion of its home mortgage loans are originated to low-income borrowers. However, there are mitigating factors to account for this including the high cost of housing in the area, and the fact that many low-income borrowers simply cannot afford the costs of home ownership. In addition, the Bank ranked third in lending to low-income borrowers in the assessment area in 2002. A good level of loans was extended to moderate-income borrowers. The Bank originated 235 or 16.5 percent of its loans to moderate-income borrowers. The Bank also ranked third in lending to moderate-income borrowers in the assessment area in 2002. The majority of small business loans go to businesses with revenues less than \$1 million and the majority of the loans are \$100,000 or less.

DISTRIBUTION OF LOANS BY BORROWER INCOME (continued)

FFIEC Table 12a borrower distribution of small loans to farms was excluded from the analysis. The Bank did not originate any small farm loans.

Other Lending

FFIEC Table 1- Other Products were excluded because the Bank did not present other optional loans for evaluation. If data was presented, FFIEC Table 13, also excluded, would have reflected the geographic and borrower distribution of consumer loans.

IV. COMMUNITY DEVELOPMENT LENDING

The Bank has made a very strong level of qualified community development loans during this examination period. As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

During calendar years 2002 and 2003, the Bank originated fourteen loans, totaling \$4,021,850, that meet the definition of Community Development. The following describes the Community Development Loans originated and committed to by the Bank during the period under review.

In August 2002, a \$234,400 participation loan (\$58,600 or 25 percent Legacy Banks' portion) was funded to a realty trust for the purposes of acquiring a commercial building in downtown Pittsfield (low-income census tract). The building is scheduled to be converted into a multi-plex theater. The City of Pittsfield has provided grant monies for a feasibility study and the Berkshire Housing Authority is providing tax credits to the property. This property is part of the downtown Pittsfield Revitalization Project.

During 2002 and again in 2003, the Bank provided loans totaling \$100,000 in each year to a non-profit, voluntary health and welfare organization. This organization acquired two properties. The first property provides transitional housing for battered women and was acquired through a grant from HUD with the Bank providing funds for renovations. The second was for acquisition and renovation of a former convent also to be used for a transitional housing facility for battered women.

In December 2002, the Bank provided a \$160,000 single payment commercial loan to a civic and social youth organization located in downtown Pittsfield (low-income census tract). The purpose of the loan was for installation of a new heating system in its downtown facility. Also, in September 2003, the Bank provided two loans, a commercial mortgage for \$350,000, and a revolving Line of Credit for \$50,000 to this organization. The first loan was

COMMUNITY DEVELOPMENT LENDING (continued)

for capital improvements to its downtown facility while the second loan was for short-term working capital.

In February 2003, the Bank provided a commercial real estate mortgage totaling \$1,620,000. The proceeds of the loan were to refinance an existing commercial mortgage and to provide additional monies for renovations. The three properties are located in Pittsfield. The first property is a 30,224 sq. ft. four story brick building with 18 apartment units on floors two, three, and four, with commercial units on the ground level. The second property is a 32,348 sq. ft. four story brick building with 10 apartments, 5 one bedroom, 2 two bedrooms, and 3 efficiencies. The third property is an 11,340-sq. ft. two story, 12-unit duplex. All but 18 percent of the rental units meet the Massachusetts Housing Partnerships' Maximum Allowable Rents for Affordable Housing Units.

In April 2003, the Bank provided a \$45,000 commercial real estate mortgage to an organization that provides various community programs including elder services, resettlement of foreign individuals, Citizenship, and educational programs. The proceeds of the loan were for working capital purposes.

In April 2003, the Bank provided a \$70,000 line of credit to a non-profit corporation for the purchase and development of homes to be sold to low-income individuals and families.

Also in April 2003, the Bank provided a \$392,000 commercial real estate mortgage loan to a non-profit organization. This organization was formed for the purposes of eliminating poverty by mobilizing community resources, both public and private, for the creation of opportunities in education, training, and employment, and for the betterment of conditions under which people live. Loan proceeds went to refinancing and consolidating two loans with additional monies for long-term working capital.

In June 2003, the Bank participated, with three other local financial institutions, in a \$1,800,000 construction to permanent commercial mortgage loan to a large social service organization. The Bank's portion of the participation was \$360,000. The organization's mission is to provide guidance, support, and advocacy for girls and their families. The purpose of the loan is to completely restore the interior of this organization's headquarters located in downtown Pittsfield. Partial repayment of the loan will come from donations, grants, and pledges receivable.

In September 2003, the Bank granted a \$600,000 construction loan to an organization that works with veterans. The proceeds of the loan went to purchase a former nursing home and transform it into a 60 bed transitional housing facility in Pittsfield. Additional funds for this project came from a \$274,000 FHLB Affordable Housing Project (AHP) Direct Subsidy that the Bank applied for and received on behalf of this organization (refer to the Service Test portion of this Public Evaluation for more details).

Lastly, in November 2003, the Bank provided a \$116,250 commercial real estate mortgage loan for the purposes of purchasing a 6-unit condominium project in Pittsfield. All six of

COMMUNITY DEVELOPMENT LENDING (continued)

these rental units meet the Massachusetts Housing Partnerships' Maximum Allowable Rents for Affordable Housing Units.

V. INNOVATIVE OR FLEXIBLE LENDING PRACTICES

The Bank continues to participate in loan programs aimed at meeting the credit needs of low and moderate-income individuals, first time homebuyers and small businesses. These programs are detailed below.

Good Samaritan Home Ownership Program

This is a first-time homebuyer program offered in conjunction with the Berkshire Housing Development Corporation (BHDC). BHDC is a non-profit housing corporation dedicated to serving low and moderate-income individuals. The Good Samaritan Program offers a 30-year, fixed rate mortgage to first-time homebuyers. No private mortgage insurance is required, no downpayment, flexible underwriting, and up to \$2,500 is available in grant monies for closing costs. Eligible borrowers must meet income and sale price requirements. In 2002, the Bank originated three (3) loans totaling \$193,200.

Massachusetts Housing Finance Authority Program

MHFA offers a variety of programs to expand rental and homeownership opportunities for and moderate-income individuals. MHFA funds its programs through the sale of taxable or tax-exempt bonds to private investors. This general obligation mortgage loan program offers first-time homebuyers special below market fixed-rate financing, provided the potential borrowers do not exceed income limitations, purchase price, and have not owned a home within the past three years. The loan is for 30 years at a fixed-rate with up to 95 percent financing. In 2002, the Bank originated 32 loans totaling \$3,046,650. In 2003, the Bank originated 17 loans totaling \$1,712,957.

Mass Housing-Municipal Employee Program

The Municipal Employee Program is designed to offer affordable housing to municipal employees who purchase a home in the city or town where they work. The program offers 100 percent financing for the purchase of a single family home and 97 percent financing for the purchase of a two-to-four family residence. Mass Housing allows the Bank flexibility to design their own mortgage product, while taking advantage of Mass Housing's flexible underwriting criteria. Mass Housing requires an initial interest rate and fixed payment for a minimum of five years. In 2002, the Bank originated 27 loans totaling \$2,372,100. In 2003, the Bank originated 13 loans totaling \$1,520,365.

Small Business Administration (SBA)

The Bank continues to be a participating SBA lender. The following is a description of SBA programs the Bank offers:

INNOVATIVE OR FLEXIBLE LENDING PRACTICES (continued)

- The LowDoc program is 90 percent guaranteed by the SBA, which focuses on the character, credit, and business experience of the applicant, rather than availability of collateral. In addition, documentation requirements are minimal.
- The 7a program provides start-up costs to small businesses. The Bank funds the entire loan, with SBA guaranteeing between 75 percent and 90 percent, depending on the use of the loan proceeds.

Under these programs, the Bank originated 15 loans totaling \$1,482,864 in 2002. In 2003, the Bank originated 15 loans totaling \$1,367,000.

VI. FAIR LENDING POLICIES AND PRACTICES

The following details the Bank's fair lending performance as it relates to the guidelines established by the Division of Banks Regulatory Bulletin 2.3-101. Such performance is considered to be excellent.

The Bank maintains a Fair Lending Policy that complies with the Equal Credit Opportunity Act and the Fair Housing Act regulations.

The Bank conducts regular training on CRA and Fair Lending for management and staff in an effort to familiarize them with the laws and regulations governing lending practices. On July 23, 2003, a presentation entitled "Fair Lending – Equal Access to Credit for All People" was given to the full Board of Directors and invited senior management. The Bank's Security and Compliance Officer gave the presentation. In addition, the Bank purchased a "Webinar" entitled "Fair Lending – An Overview" which is provided by the Center for Financial Training of Southern New England. Access to the "Webinar" is gained over the Internet. The Bank also purchased a video cassette version of the presentation. Management and staff also attend seminars provided by Massachusetts Bankers Association during the examination period.

The Bank utilizes three outside "sales" originators who take applications. However, these individuals have no lending authority. Each individual has a specific territory, Lenox and South Berkshire County, Central Berkshire County, and Northern Berkshire County.

Both the Bank's Fair Lending Policy Statement and its Consumer Loan Policy outline second review procedures. If the original underwriter believes the loan should be denied, then a second underwriter reviews the file. If the decision remains to decline the loan requested, then the decision of the two underwriters is documented in the file and the appropriate notices are sent to the denied applicant.

The Bank's Compliance and Security Officer conducts reviews of the HMDA/LAR and the SBLR on a quarterly basis to check for accuracy. In addition, the Bank's internal auditors conduct annual fair lending and HMDA audits. Lastly, Legacy Banks' Assistant Vice President of Lending performs a Quality Control check of first mortgage loans closed on a

FAIR LENDING POLICIES AND PRACTICES (continued)

monthly basis. These Quality Control checks encompass a wide variety of compliance issues.

A fair lending review was performed as part of the examination to ensure compliance with the governing fair lending regulations. The review identified no violations of the substantive provisions of the anti-discriminatory laws and regulations.

Minority Application Flow

Legacy Banks' assessment area contains 139,352 individuals, 4,889 or 3.5% of whom are minorities. The assessment area's minority population is 0.2% Native American, 0.7% Asian, 1.7% Black, 0.8% Hispanic and 0.1% Other based on 1990 demographic data. According to the 2000 census, the assessment area contains 134,953 individuals, 7,992 or 5.9% of whom are minorities. Based on 2000 statistics, the area's minority population is 0.1% Native American, 1.0% Asian, 1.9% Black, 1.7% Hispanic, and 1.2% Other.

A review of residential loan applications was conducted in order to determine the number of applications the Bank received from minorities. The Bank received 1,587 residential loan applications from within its assessment area. During this period, 51 applications or 3.2% were received from minorities. Of the 51 applications received, 42 or 82.4 percent resulted in originations. The Bank's minority application flow appears similar to the racial composition of its assessment area using 1990 Census information, but appears to be below the 2000 Census information.

Refer to the following table for further details.

Distribution of Home Mortgage Loan Applications by Race									
Race	Racial Demographics Per 1990 Census Data (By %)	2002 Aggregate Lending Data (% of #)	2002 Bank Data		Racial Demographics Per 2000 Census Data (By %)	2003 Bank Data*		Total	
			#	%		#	%	#	%
Native American	0.2	0.3	1	0.2	0.1	2	0.2	3	0.1
Asian	0.7	0.4	6	1.0	1.0	8	0.8	14	0.9
Black	1.7	0.6	2	0.3	1.9	1	0.1	3	0.3
Hispanic	0.8	0.4	3	0.5	1.7	11	1.1	14	0.9
Joint Race **	0.0	0.9	5	0.8	0.0	9	0.9	14	0.9
Other	0.1	0.4	1	0.2	1.2	2	0.2	3	0.1
Total Minority	3.5	3.0	18	3.0	5.9	33	3.3	51	3.2
White	96.5	68.0	524	88.2	94.1	921	92.8	1,445	91.1
NA	0.0	29.0	52	8.8	0.0	38	3.9	90	5.7
Total	100.0	100.0	594	100.0	100.0	992	100.0	1,586	100.0

Source: HMDA LAR, CRA Wiz. ** Refers to mixed racial composition of joint applicants.

FAIR LENDING POLICIES AND PRACTICES (continued)

An analysis was also performed comparing the Bank's application flow levels in 2002 to all other HMDA-reporting lenders. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

Aggregate information for 2002 indicated that, of the 7,852 HMDA-reportable applications received by all other lenders within the Bank's assessment area in 2002, 3.0 percent were from minorities: 0.3 percent from American Indians, 0.4 percent from Asians, 0.6 percent from Blacks, 0.4 percent from Hispanics, 0.9 percent Joint applicants and 0.4 percent from Other Minorities. The Bank received 18 applications, or 3.0 percent, from minorities during the same period. Of these, 0.2 percent were from American Indians, 1.0 percent from Asians, 0.3 percent from Blacks and 0.5 percent from Hispanics, 0.8 percent Joint applicants, and 0.2 percent from Other minorities. The Bank's minority application flow when compared to the other lenders within the assessment area is similar.

VII. LOSS OF AFFORDABLE HOUSING

The Bank's participation, along with its development of credit products with flexible lending criteria, and its community development lending has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, the Bank has demonstrated an excellent responsiveness to the assessment areas credit needs. A substantial majority of the Bank's loans were made within its assessment area and were well distributed throughout the communities within the assessment area. The Bank's lending also demonstrates a very good distribution of loans among individuals of different income levels. The Bank has a good record of serving businesses with gross annual revenues of \$1 million or less. The Bank has granted an excellent level of community development loans, and has used innovative and flexible lending practices to address the credit needs of low and moderate-income individuals and small businesses. In addition, the Bank's fair lending performance was found to be very good at this time. Therefore, the Bank's lending performance receives an overall rating of Outstanding.

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. The Bank is rated “High Satisfactory” in this area. The following describes the institution’s qualified investments.

Investments

Small Business Administration (SBA) Loan Pools – In 2002, the Bank purchased six pools of asset-backed securities totaling \$8,059,914 within the assessment area. The assets backing these six instruments were securitized pools of SBA loans.

Equity Investment- The Berkshires Capital Investors Fund II Limited Partnership (Fund II) The Bank has fully funded its \$500,000 commitment to Fund II. Fund II is a venture capital fund based in the Berkshires and focused on Western Massachusetts. The total offering sought a minimum of \$10 million with a target of \$15 million to be invested primarily in growing companies in the region. Fund II has benefited 21 companies overall, and through the third quarter of 2003 supported approximately 200+ jobs. The Bank’s outstanding balance in Fund II was \$199,890 as of December 31, 2003.

Berkshire Housing Development Corporation (BHDC) Bonds – BHDC was created to bring together the leadership, expertise, and financial resources to address the housing needs in Berkshire County. As of December 31, 2002, the Bank maintained a balance of \$50,300 in bonds that were provided to the BHDC. As of December 31, 2003, the balance maintained by the Bank was \$30,300.

The Berkshire Fund Bonds – The former City Savings Bank purchased low-interest bonds from this organization. The funds received from the bonds issued by The Berkshire Fund help to support the Berkshire Fund’s second mortgage program. The second mortgage program that provides to a qualified borrower up to 15% of the value of the property thereby avoiding the cost of Private Mortgage Insurance. As of December 31, 2002, the Bank maintained a balance of \$224,425 in bonds that were provided to the Berkshire Fund. As of December 31, 2003, the balance maintained by the bank was \$130,625.

Charitable Contributions

The Bank has provided contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development. In some instances, these contributions were substantial, multi-year commitments.

Charitable Contributions (continued)

For calendar year 2002, the Bank provided \$82,500 in contributions that promote community development, as defined under the CRA regulation. For calendar year 2003, the Bank provided \$79,583 in qualified contributions

The following includes (but is not limited to) some of the organizations to which the Bank contributed that were considered qualified investments.

- **Berkshire Small Business Information Center** The Bank continues to contribute to this organization to maintain a Small Business Administration information center in the offices of Berkshire Enterprises in downtown Pittsfield.
- **Girls Incorporated of Pittsfield (Girls, Inc.)** Girls, Inc., is a social service organization. Its programs include, but are not limited to, individual and family counseling, financial aid, teen and youth programs, and Berkshire Life Child Care. The Bank has made significant, multi-year commitments to Girls, Inc.
- **Berkshire United Way** This volunteer-driven organization raises and distributes funds to social service programs that respond to current, critical, and emerging community needs. The Bank made significant corporate contributions in support of the United Way in both 2002 and 2003.
- **Elizabeth Freeman Center (The Center)** The Center represents a merger between the Rape Crisis Center and Women Services. The Center provides women, children, and all victims whose lives are affected by domestic violence and sexual assault the necessary support, advocacy services and shelter in their greatest time of need. Legacy Banks donates annually to The Center.
- **Consumer Credit Counseling Services of Massachusetts, Inc. (CCCS)** The Bank continues to support this non-profit agency annually.

Additional donations were granted to various other organizations within the Bank's assessment area, including: Central Berkshire Habitat for Humanity; Downtown Development, Inc.; Pittsfield YMCA; Massachusetts Bankers Association's Charitable Foundation, Inc.; Berkshire Center for Families and Children; North Adams Regional Hospital (five year pledge); Construct, Inc.; and the Boys and Girls Club.

CONCLUSION (Investment Test)

As depicted above, the Bank has a good level of qualified community development grants, and has exhibited good responsiveness to credit and community economic development needs based on the limited opportunities in the assessment area. Therefore, the Bank's investment performance is rated High Satisfactory.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The Bank's service activities are "Outstanding."

The Bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The Bank's low cost checking and savings accounts, as well as the convenience of its automated telephone banking system service, customer service center, and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the Bank have provided an excellent level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the Bank provide an excellent level of involvement in community organizations located throughout its assessment area. The following details the institution's services:

Retail Banking Services

Distribution of Branches

The Bank is located at 99 North Street, Pittsfield Massachusetts, a low-income census tract. In addition to the main office, the Bank operates nine full-service branch offices within the assessment area. The branch office located at 102 North Main Street in North Adams is located in a moderate-income census tract. The remaining branches are located within middle or upper-income census tracts.

Branch hours are convenient and comparable to other institutions, and services of the Bank are more than sufficient to meet the needs of the assessment area. Office hours for the branches are generally 8:30 a.m. to 4:00 p.m. Monday through Wednesday. All of the branches offer extended hours on Thursday or Friday. In addition, many of the branches offer extended hours on Saturday as well. Seven of the branches offer drive-up window service and are open extended hours beyond the regular branch hours. These convenient hours enable customers without normal work hours to access services at the branches.

Automated Teller Machines (ATMs) are located at all branches. The Bank also maintains a 24-hour drive-up ATM at the main office. A majority of the Bank's ATMs are linked to the SUM network, which allows non-Legacy Banks ATM cardholders of other SUM network institutions free use of the Bank's ATMs. Conversely, the Bank's customers can use other SUM network ATMs without being assessed a surcharge by the other institutions. In addition, the ATM network is linked to the CIRRUS, NYCE, and Discover networks. Therefore, customers may access their accounts at any ATM that bears these network logos. The Bank's ATM cards bear the MasterMoney© logo, allowing customers to access their accounts for purchases at merchants worldwide.

Record of Closing Branches

The Bank maintains a Branch Office Closing and Opening policy. The policy details the procedures the Bank will follow before closing or opening a branch office. In 2003, the Bank closed an in-store branch located at Price Chopper in Pittsfield. As a result of the merger between City Savings and Lenox Savings, the Bank opened two new branches in Lenox in 2002.

Alternative Banking Services

The Bank operates a toll-free, 24-hour telephone service called "LegacyLine." For those customers residing or working outside the local Pittsfield calling area, a 1-800 number has been established. The bank-by-phone service enables customers to obtain current account balances, check current interest rates, verify the dates and amounts of recent transactions, learn if a personal check has been paid, transfer funds between accounts, and make payments on consumer or mortgage loans. LegacyLine also offers customers a Spanish option, meeting the needs of the Spanish-speaking population within the assessment area.

Legacy Banks also offers internet banking through "Legacy On-line," located at www.legacybanks.com. This feature gives customers the ability to manage one's finances from a home or office computer, free of charge. Customers can review checking, savings, and Certificate of Deposit (CD) accounts, check account balances, make loan payments, transfer funds between accounts, and view account histories. Customers can also download their transaction history into Microsoft Money® or Quicken®, Customers can also sign up for the bill pay feature, which enables customers to pay their bills online. This feature is free for all Legacy Banks life path members. All other customers pay a \$4.95 monthly fee.

The Bank also offers an on-line product for businesses called "Business Banker." This feature enables businesses to view account balances, and review account activity. It also allows business customers to transfer money between Legacy business accounts, set up sweeps to automatically transfer funds, initiate stop payments, download account data to Microsoft Money® or Quicken®. The website also allows businesses to initiate wire transfers, pay bills, and establish direct deposit.

Banking by mail is also available for opening and closing accounts, deposits and withdrawals, loan payments, transfers, and CD rollovers. The Bank provides customers with pre-paid postage envelopes for all mail transactions originated in the United States.

Currently, there are four bilingual employees to assist the non-English speaking customers and potential customers at the Bank. Second languages include French, Romanian, and Spanish. As a result, the Bank is able to provide better service to customers of different ethnic backgrounds.

Other Services

A variety of deposit products, loan products and business services are available at the Bank's locations. The Bank offers checking, passbook and statement savings, certificates of deposit, and individual retirement accounts. The following details the low cost savings and checking accounts offered by the Bank.

The Bank has a checking and savings account that meet the Basic Banking for Massachusetts guidelines. This program was developed to expand access to bank products and services and to encourage those with modest incomes to establish banking relationships. The Bank's "Really Free Checking" account features no monthly service charge or minimum balance requirement and unlimited check writing ability. The Bank's statement savings account has a variable interest rate and the monthly fee of \$1 is waived when a \$200 daily balance is maintained.

The Bank's loan products include fixed and adjustable-rate mortgages, construction loans, and consumer loan products such as auto, home improvement, personal, home equity, and lines of credit. The Bank also provides a pre-approval service for mortgage loan customers.

The Bank offers a full range of business banking products and services. These services include business checking, money market accounts, cash management, and payroll services. Commercial loan products include commercial real estate loans, lines of credit, and SBA and other guaranteed loan programs. In addition, domestic and international letters of credit to facilitate commercial transactions are also offered.

The Bank maintains Interest on Lawyers Trust Accounts (IOLTA), a funded program that provides legal assistance to over 100,000 individuals across Massachusetts. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. The program allows attorneys to place clients' funds in interest-bearing accounts, such as NOW accounts, with the interest earned paid to a charitable entity like the Western Massachusetts Legal Assistance Corporation. The goal of the program is to use the interest received for the improvement of the administration of justice and for civil legal services for low-income clients. The Bank currently holds 37 accounts for IOLTA and during the examination period remitted \$26,979 in interest to charitable entities.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. The Bank's qualified community development services demonstrate a high level of community commitment with many of the bank's officers providing their technical expertise, experience and judgment to these organizations. The qualified community development services are detailed in the following sample of organizations.

COMMUNITY DEVELOPMENT SERVICES (continued)

The Berkshire United Way: Through its single, community-wide campaign, the Berkshire United Way is able to fund over 125 human service programs throughout Berkshire County.

The United Way reaches out to all kinds of people including the disabled, the homebound, elderly and youth. Four Directors of the Bank serve in various capacities, including the Leadership Giving Division. The Bank's Chairman and CEO was the Co-Chairman of Pacesetter Division. Two of the Bank's Vice Presidents serve on the Board and Investment Committee. In addition, the Bank's Mortgage Officer serves on its Allocations Committee.

Central Berkshire Habitat for Humanity: This non-profit organization's focus is the rehabilitation and development of 1-4 family dwellings for low- and moderate-income individuals. The Bank's Chairman and CEO is the Chairman of the Advisory Board. The Bank's Vice President and General Counsel also serves as a Board Member.

Pittsfield Boys and Girls Club: The primary mission of the Boys and Girls Club is to assure and enhance the quality of life for youth as participating members of a richly diverse urban society. With special concern for the disadvantaged, the Boys and Girls Club helps youth to help themselves realize their potential for growth and development. The Bank's staff has played an integral role within this organization. Many of the Bank's Directors, its Chairman and CEO, Vice Presidents and employees have sought out leadership roles with this organization.

Girls Inc.: This non-profit organization's purpose is to build children's capacity for responsible and confident adulthood, economic independence, and personal fulfillment. Girls Inc.'s services include temporary crisis child care, counseling and support for troubled children and their families, and an on-site employer-sponsored childcare program. The Bank's Senior Vice President/Treasurer/CFO serves on its Advisory Board.

Pittsfield Economic Development Authority: This is a quasi-public agency charged to be the recipient and redeveloper of approximately 52 acres of General Electric Company's former industrial facility located in the heart of Pittsfield. The Bank's Executive Vice President is a Board Member and Treasurer of this organization.

Downtown Pittsfield Inc.: Downtown Pittsfield Inc. is a private, non-profit organization consisting of 290 businesses and individuals dedicated to the economic development, promotion, beautification, awareness, and appreciation of downtown Pittsfield. The Bank's Executive Vice President serves on the Conference Center Subcommittee.

Lee Elderly Housing Corporation: This is a 501(c)(3) corporation. It manages Hyde Place, a 41-unit elderly housing project. All of the units qualify for section 8 assistance subsidies. The Bank's Senior Vice President of Commercial Lending serves as a Board Member.

COMMUNITY DEVELOPMENT SERVICES (continued)

Elder Services This is a private, non-profit agency dedicated to improving the quality of life and maintaining the dignity and independence of older people in Berkshire County. The Money Management Program provides in-home assistance to elders who cannot manage their own finances. The program is available to residents who are 60 years of age or over, and whose annual income is less than \$20,778 for individuals and \$29,402 for couples. The Bank's Insurance Officer participates in this program.

Berkshire Housing Services Inc.: The mission of Berkshire Housing is to improve affordable housing opportunities to people of low- and moderate-income in Berkshire County; to provide technical assistance in the areas of housing and community development; and to operate a professional property management company to ensure that housing developments provide a high standard of living for the residents. The Bank's Senior Vice President of Commercial Lending is a Board Member and serves on its Executive Committee.

Other organizations to which officers and employees lend their technical and financial expertise include civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Seminars

The Bank is an active participant in the Commonwealth's Savings Makes Cents school banking program. The program teaches children financial literacy, encourages saving habits, and promotes a savings ethic. The Treasurer's office provides the curriculum, which is taught by classroom teachers and bank representatives. In addition, a bank representative works with the teacher to establish opportunities for students to open savings accounts and make deposits. There are currently two schools participating in this program. In addition, the Bank continues to support the "Partner in Education Program" which teaches young children about money and banking. A total of eleven different initiatives were undertaken in 2003, as part of the Bank's partnership in education.

In 2002, the Bank sponsored two homebuyer seminars at the Bank's main office, in an attempt to educate potential applicants about the home buying process. The Bank also sponsored a first time homebuyer seminar for Spanish speaking individuals at its Lee branch office.

In April 2003, the Bank sponsored two homebuyer seminars; one took place in the bank's training room at the Bank's main office, the other took place at the Bank's Lee branch office.

In June 2003, the Bank sponsored a construction loan seminar at the Bank's main office. This seminar was developed in response to the lack of affordable housing available for first-time homebuyers in Berkshire County and the resulting interest by first-time homebuyers for construction loans in order to build modular homes.

Educational Seminars (continued)

In November 2003, Bank representatives participated in the “Money Matters Dollar Diva Workshop” held at Miss Halls School in Pittsfield. The program teaches young women how to be financially independent.

In 2003, the Bank’s CRA Officer worked with a group of students from Taconic High School in Pittsfield in order to provide information about the banking industry. The students were part of a money and banking class and were responsible for developing and presenting a report to the entire class.

In 2003, the Bank’s Commercial Loan Officer spoke about SBA loans at a Berkshire Enterprise presentation. Berkshire Enterprise provides entrepreneurial training and assistance to small businesses.

Technical Assistance

The Bank has been very active in submitting applications to the Federal Home Loan Bank of Boston’s Affordable Housing Program. The Bank recently submitted two applications to the Federal Home Loan Bank’s funding in round one and round two on behalf of organizations whose goals and purpose are housing for low and moderate-income individuals. The Bank received confirmation that both projects were awarded funding during this examination.

CONCLUSION (SERVICE TEST)

As illustrated above, officers and employees of the Bank have demonstrated an excellent level of service activity and involvement in community organizations throughout its assessment area. The Bank’s products and alternative banking services are tailored to the convenience and needs of its assessment area including low and moderate-income borrowers. Therefore, a rating of “Outstanding” is warranted.

APPENDIX A

SCOPE OF EXAMINATION:

As of the close of business January 12, 2002, a review of compliance with applicable consumer and fair lending rules and regulations and a CRA examination was conducted at Legacy Banks. The Bank's lending products reviewed at this examination include residential and small business loans.

This evaluation includes a review of the Bank's HMDA reportable loans and commercial lending, specifically, small business loans. The Bank's, HMDA Disclosure Statements (2002), and HMDA/LAR (2003) loan origination records provided information on residential mortgage lending and information concerning the Bank's small business lending was obtained from CRA Data Reports.

The Bank's qualified investments were also reviewed and exhibit good responsiveness to the credit and community economic development needs.

In addition, the Bank's systems for delivering retail banking services and the provision of community development services were considered.

Legacy Banks has branch locations in the Pittsfield Metropolitan Statistical Area (MSA) and in the 28 towns in Berkshire County that are not part of any MSA.

APPENDIX B

METROPOLITAN STATISTICAL AREAS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE PITTSFIELD, MASSACHUSETTS MSA:

This portion of the Legacy Banks' assessment area includes all towns and cities: Adams, Cheshire, Dalton, Glendale, Hinsdale, Lanesboro, Lee, Lenox, Pittsfield, Richmond, and Stockbridge. The Bank operates seven branches within this area. There are 23 census tracts in this area: 2 low-income, 4 moderate-income, 14 middle-income, and 3 upper-income. According to 1990 Census information, the total number of households is 37,071.

The distribution of households by income level is as follows: 24.0 percent low-income, 15.2 percent moderate-income, 19.8 percent middle-income, and 41.0 percent upper-income. The distribution is almost identical to that for the entire assessment area. The housing stock is 56.1 percent owner-occupied, slightly higher than that of the assessment area. Slightly more than 84 percent of the units are one-to-four family. The median housing value is \$114,108 and the median age of the housing stock is 54 years. According to 2000 Census information, there are also 23 census tracts in this area: 1 low-income, 5 moderate-income, 13 middle-income, and 4 upper-income. There are 36,243 households in the assessment area. The distribution of households by income level is as follows: 23.3 percent low-income, 15.9 percent moderate-income, 19.5 percent middle-income, and 41.3 percent upper-income. The median housing value is \$118,177 and the median age of housing stock is 48 years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE PITTSFIELD, MASSACHUSETTS MSA:

Lending Test

A majority of the Bank's residential and small business lending activity was focused within this MSA. Over the period covered by the analysis, the Bank originated 1,158 home mortgages, or 81.0 percent of the total home mortgage lending, and 516 small business loans, or 78.2 percent of the small business total within this MSA.

During the evaluation period, the Bank originated approximately 1.0 percent of its HMDA-reportable residential loans in low-income census tracts, and 3.9 percent in moderate-income tracts within the MSA. This is similar to the distribution for the assessment area overall. The Bank originated 8.6 percent of its small business loans in low-income tracts and 18.1 percent in moderate-income tracts. Lending in moderate-income tracts increased in 2003 and overall distribution for the period analyzed was similar to the distribution for the assessment area as a whole.

HMDA reportable mortgage lending to low and moderate-income borrowers was 2.0 percent and 13.6 percent, respectively, and was slightly lower than the Bank's overall distribution to low and moderate-income borrowers.

APPENDIX B (continued)

The community development loans noted in this report were originated in the Pittsfield MSA. All government sponsored and first-time homebuyer programs are available within the MSA.

Investment Test

Performance under the Investment Test is comparable to performance in the assessment area overall. The majority of the investments and donations were made to organizations located within the MSA or benefited residents of the MSA.

Service Test

Hours and services available at branch offices in the Pittsfield MSA are the same as all other branches. The majority of the community development services that the Bank participates in are within the MSA. Several officers or Board members provide community development services to organizations that primarily support individuals and businesses in this MSA.

Overall, the Bank's performance within the Pittsfield MSA is consistent with its overall performance.

APPENDIX C

FFIEC Interagency Core CRA public Evaluation Tables

OVERALL LENDING DATA

Depending on the number of optional loan products being considered in the CRA evaluation, Table 1 can consist of two separate and distinct “sub-tables.”

Table 1: Lending Volume

- Presents the number and dollar amount of reportable loans originated and purchased by the institution and its affiliates, if applicable, over the entire evaluation period by assessment area. The deposit data in this table are compiled by the FDIC and are available only as of June 30th of each year.

Table 1: Other Products

- Presents the number and dollar amount of any unreported category of loans originated and purchased by the institution and its affiliates, if applicable, also being considered during the CRA evaluation.

Examples include consumer loans or other data an institution may provide concerning its lending performance.

LENDING PRODUCTS*

Table 2 and 2a: Geographic Distribution** of Home Purchase Loans

Table 3 and 3a: Geographic Distribution of Home Improvement

Table 4 and 4a: Geographic Distribution of Home Mortgage Refinance Loans

Table 5 and 5a: Geographic Distribution of Multifamily Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies.
- Presents the most recent aggregate or market share data available.

* Whenever a table has a column for a “% of Total,” the percentage should be of the total for the *rated area*, not the overall institution.

** None of the tables containing information relating to distribution by income level of geography (Tables 2 and 2a through 6 and 6a and tables 13 and 14) include a column for geographies that have not been assigned an income classification. These are commonly referred to as “NA” geographies. As such, the sum of the distribution in low-, moderate-, middle-, and upper-income geographies in an assessment area may not equal 100 percent. Loans lacking income data are not included in the calculation of the distribution by income level of geography.

APPENDIX C (continued)

Table 6 and 6a: Geographic Distribution of Small Loans to Businesses

- Shows the percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of businesses (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

Table 7 and 7a: Geographic Distribution of Small Loans to Farms

- Shows the percentage distribution of the number of small loans (less than or equal to \$500 thousand) to farms originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of farms (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

Table 8 and 8a: Borrower Distribution of Home Purchase Loans

Table 9 and 9a: Borrower Distribution of Home Improvement Loans

Table 10 and 10a: Borrower Distribution of Home Mortgage Refinance Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each assessment area.
- Presents the most recent aggregate or market share data available.

Table 11 and 11a: Borrower Distribution of Small Loans to Businesses

Table 12 and 12a: Borrower Distribution of Small Loans to Farms

APPENDIX C (continued)

- Compares the percentage distribution of the number of small loans (for businesses, less than or equal to \$1 million; for farms, less than or equal to \$500 thousand) originated and purchased by the institution and its affiliates, if applicable, to businesses or farms with revenues of \$1 million or less to the percentage distribution of businesses or farms with revenues of \$1 million or less.
- Presents the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, by loan size, regardless of the revenue size of the business or farm.
- Presents the most recent aggregate or market share data available.

Table 13: Geographic and Borrower Distribution of Consumer Loans

- For geographic distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies with the percentage distribution of households within each geography.
- For borrower distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

LEGACY BANKS

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 12, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.